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Weekly E-Bulletin

Indian Institute of Export Management

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RICE BOWL REELS UNDER IMPACT OF SEVERE DRY SPELL

"Water water everywhere, but not a drop to drink." The modern rendition of Samuel Coleridge's famous line in his poem The Rime of the Ancient Mariner seems apt to describe the prevailing situation in Kochi, which is surrounded by a vast expanse of backwaters and yet is facing one of its worst droughts. Indeed, there is an acute drinking water shortage in Kerala's commercial capital.The water level in the Periyar, its major drinking water source, which is also the State's longest river, is fast depleting.Ernakulam District Collector Mohammed Y Safirulla says there was a 35 per cent deficit in rains from June 2016 to February 2017 due to the failure of both the South-West and North-East monsoons. This has led to a crop loss worth Rs. 2 crore in the Pokkali farmlands, affecting farming on 1,090 hectares.However, the Collector denies that the situation is alarming; the district administration has already taken steps to rejuvenate wells and ponds, he says."We have identified more than 500 water sources like wells, ponds, finished or abandoned quarries. The presence of sufficient water sources and an adequate response mechanism is now ensuring prompt supplies. Priority will be given to drinking water, followed by domestic, agriculture and industrial needs", he said.However, Sunny George, Director, SCMS Water Institute in Kochi, blames changes in the weather pattern for the shortage of rains and over-exploitation for the groundwater crisis. ~**B/L/20/3/2017**

STRONG RUPEE, LOGISTICS HURDLES SEEN HURTING NON-BASMATI RICE EXPORTS

The strengthening rupee has added to the woes of Indian non-basmati rice exporters, who are battling logistics hurdles, mainly the non-availability of covered rakes in adequate numbers in the eastern region that has slowed down the shipments of the cereal.Non-basmati rice shipments in the April-January period of the current financial year stood at 5.21 million tonnes, down 2.6 per cent over the corresponding period last year.The rupee has strengthened by about 4 per cent against the dollar since the beginning of the year till date."Non availability of covered rakes has been a big problem this season. This has impacted the movement of rice from Chhatisgarh region to the ports in Andhra Pradesh over the past three-four months. Transporting rice in open wagons increases the risks for exporters as insurers do not extend cover to such cargo," said BV Krishna Rao, President of the Rice Exporters Association."The infrastructure hurdles like the non-availability of covered rakes are seen as a dampener on exports," said S Venkatesh, CEO (Mumbai Operations) Agri Trade India Services Pvt Ltd. Though the shipments are a bit subdued now, the prospects look bright as they are expected to pick up ahead of Ramadan, he added. ~**B/L/21/3/2017**

'SURPLUS' RUMOURS POUND PEPPER

Rumours of increased availability pulled down spot pepper prices on Tuesday.More sellers were forthcoming from Coorg region of Karnataka, where harvesting has commenced. Wayanad sellers have also become active, market sources told BusinessLine .On the terminal market, 21 tonnes of pepper from Wayanad, the plains and the high ranges were traded at Rs. 575-595-600 a kg, they said.Spot prices dropped by Rs. 100 a quintal to Rs. 58,100 (ungarbled) and Rs. 61,100 (garbled). April, May and June contracts remained unchanged at Rs. 60,000, 59,000 and Rs. 59,000 a quintal respectively. ~**B/L/22/3/2017**

SIMA ADVISES MILLS AGAINST PANIC BUYING OF COTTON

The Southern India Mills Association (SIMA) has advised the mills against panic buying of cotton."Drop in crop production by 8-9 lakh bales compared to the Cotton Advisory Board's estimate of 351 lakh bales for the 2016-17 season, or lower arrivals as on March 20 compared to the corresponding period of the earlier season, does not necessarily mean there is a supply shortfall. Both at the global level and in India, the cotton supply position is very comfortable," said SIMA Chairman M Senthilkumar.Asserting that there is no big difference between domestic and imported prices of the fibre, he conceded that imported cotton gained preference due to better yarn realisation, productivity and quality.From Rs. 38,000-39,000 a candy (of 355 kg) at the beginning of the cotton season (for the benchmarked Sankar-6 variety), the rates have now swelled to Rs. 43,500-44,000.Prices moved north till end-February, and now appear firm. But imported fibre definitely seems better while the price difference is not much, said cotton spinners.And import contracts seem to be gaining momentum. Reports indicate that there has been a significant increase in the Australian cotton crop — from 28 lakh bales last year to 45 lakh bales this year and an 18 per cent increase in the US cotton crop. "With China's restrictions on imports, the global cotton position is more than comfortable," observed SIMA's Senthilkumar. **~B/L/23/3/2017**

US OIL EXPORT SURGE STEALS MORE OPEC SHARE

As OPEC tries to keep oil off the world market, U.S. oil producers are pouring more onto it. The U.S. last week sent more than 1 million barrels a day of crude out of the country, the third biggest export week ever, and double the average amount exported in 2016. It is also the third time this year that U.S. exports exceeded a million barrels a day, an industry record. "It should be somewhat supportive of [U.S. oil prices] in the short run, particularly if the exports keep up. But it obviously is a challenge for the global market and a renewed threat to OPEC and their designs of keeping prices up," said John Kilduff of Again Capital
While the U.S. exported oil, it also exported fuel last week — a steadily growing business. The U.S.

sold 1.1 million barrels of diesel fuel, in line with the recent average, but 608,000 barrels a day of gasoline, up from less than 400,000 barrels a day a year ago.

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EDIBLE OIL IMPORTS TO DROP AMID RECORD OILSEED OUTPUT

India's edible oil imports are likely to fall for the first time in recent years to 14 million tonnes in 2016-17, against 14.6 million tonnes reported last year, said Atul Chaturvedi, President of the Solvent Extractors' Association of India (SEA), in a statement.An increase in oilseeds production this year will improve their availability and revive country's crushing industry, which has been starved of raw material, he added.Against total edible oil consumption of nearly 21 million tonnes, the local production is hardly 6-6.5 million tonnes, and India has to import nearly 15 million tonnes to bridge the gap. The demand for edible oil has been rising at 3-4 per cent, or 700,000-800,000 tonnes, a year. **~B/L/24/3/2017**

DEADLINE TO CEASE MBR FUMIGATION OF FOOD IMPORTS MAY BE EXTENDED

The Centre is likely to extend by a few months the permission given to its trading partners to fumigate consignments of pulses and lentils at Indian ports with methyl bromide — a fumigant banned in several countries because of its impact on the ozone layer — after the present extension expires on March 31.Such a move would give countries selling pulses to India, such as Canada and Australia, a breather."The Agriculture Ministry is in the final stages of formally deciding on extending the permission to fumigate import consignments at Indian ports after receiving several representations on the problems that exporting countries and domestic traders face. However, the extension being considered would be a short one and not year-long," **~B/L/25/3/2017**

GST BILLS TABLED IN LOK SABHA BY FINANCE MINISTER

Finance Minister tabled a batch of supplementary Goods and Services Tax (GST) legislations in Lok Sabha. The discussion on the four bills - C-GST, I-GST, UT-GST and the compensation law - could be taken up on Tuesday. The S-GST has been prepared as a model of the central GST (C-GST), with each state incorporating state-specific exemptions. The integrated GST (I-GST) deals in taxation of inter-state movement of goods and services, while the Union Territory GST (UT-GST) Bill covers taxation in the UTs. The compensation law has been prepared to give a legislative backing to the Centre's promise to compensate the states for five years for any revenue loss arising out of GST implementation. The government is looking at the passage of the GST Bills in the Lower House by March 29 or latest by March 30. Then, these will move to the Rajya Sabha and this gives the government enough time to bring back any amendment adopted by the Upper House to the Lok Sabha. The amendments can either be rejected or incorporated by the Lok Sabha. Once these Bills are cleared by Parliament, the states will then take the state GST (SGST) Bill to their respective assemblies. The current session of Parliament ends on April 12. The government has set a target of July 1 for the rollout of GST, which will subsume excise, service tax, VAT and and other local levies to create one of the world's biggest single markets.

~FIEO

GST RELIEF FOR EXPORTERS, SOME REFUNDS TO CONTINUE

Exporters will continue to get certain duty refunds as incentives after the Goods and Services Tax is implemented. The GST Council has framed the draft laws to ensure that the export sector doesn’t suffer when the new regime is rolled out, likely from July 1. The GST legislation approved by the cabinet and the GST Council has a provision enabling duty drawback in relation to goods manufactured in the country and exported. It's been defined as rebate of duty or tax chargeable on imported and domestic inputs or input services used in the manufacture of these goods. This would be an optional window that would aid sectors such as handicrafts, where artisans are not registered with the tax department. It will especially help exporters who have paid tax on inputs to make products that have no tax against which these duties could have been adjusted. The drawbacks are offered as incentives to ensure Indian goods do not become uncompetitive in foreign markets. Exporters had been worried about the transition to the GST regime, which allows minimal upfront exemptions. The commerce department had represented to the Council as well as the Union finance ministry that the benefits enjoyed by exporters should be continued. "This is a very positive move and benefits all those that do not claim input tax credit," said Director General & CEO of the Federation of Indian Export Organisations. Many exporters in the small and medium enterprise sector will benefit.

~FIEO

GST TO MAKE EXPORTS MORE COMPETITIVE, SAYS COMMERCE MINISTER

Implementation of GST, the new indirect tax regime, would help remove barriers between the states and make exports more competitive, Commerce and Industry Minister said. "GST (Goods and Services Tax) gives a feeling that market in India is one now and there are no barriers between regions or provinces. "Even within the country, the value chains which will get integrated, will have a simpler and straightforward flow (of goods) and therefore, it should make exports more competitive rather than expensive," Minister said. When asked about the H1-B visa issue, Minister said that the US has conveyed that there is no change in the H1-B visa regime. "The new US administration is focusing on the larger issue of immigration and the notification which they have given for H1-B for 2018 says there is no change in position and we find no change," Minister added. As the US is a key market for the IT sector, India has time and again raised its concerns on the visa policy of America. Last year, India dragged the US to the WTO's dispute settlement body against its decision to impose high fees on temporary working visas.

GOVT PLANS SINGLE ONLINE WINDOW FOR TRADE INFORMATION

The government is planning to set up a single window online system for providing all information and services related to international trade. The plan is to provide importers and exporters the facility to submit applications and clearance documents as well as obtaining approvals and benefits electronically at a single point only in a digital mode. In case some permissions are required from other regulatory agencies, they would be obtained online without traders having to approach them. The move is aimed at promoting ease of doing business and improving India's ranking. It will eliminate multiple interface with government agencies, dwell time, track goods/delivery from door to door and the cost of doing business, the Department of Industrial Policy and Promotion (DIPP) said while floating a request for proposal.

~FIEO

EUROPEAN FTA PUSHES FOR TOUGHER IPR RULES UNDER ONGOING TRADE TALKS WITH INDIA

The European Free Trade Association (EFTA) that includes Switzerland, Iceland, Norway and Liechtenstein has insisted on stricter provisions of intellectual property rights (IPR) under the ongoing negotiations for a Trade & Economic Partnership Agreement (TEPA) with India. The position is stated in a leaked note on the proposed IPR chapter of the negotiations published by non-profit body Knowledge Ecology International at a time negotiations on the chapter are underway in New Delhi. Switzerland proposes that India agree to broader patentable principles, particularly on biologic products; adopt exclusive rights in data used to support the registration of new drugs and vaccines; and eliminate its requirements for local manufacturing of patented inventions. The note, dated 15 March, followed a telephone conversation between Indian commerce minister and Swiss minister for economic affairs, education and research to take stock of the TEPA negotiations. "Indian Commerce Minister asked her Swiss counterpart for a short note setting out two particular points of negotiations in intellectual property rights (IPR) relating to the protection of patents and the protection of undisclosed information of pharmaceutical and agrochemical products in marketing approval procedures (test data protection)," the note said. Arguing in favour of patent data protection, Switzerland held solid and reliable patent protection is not only important for any innovative pharmaceutical company, but just as much for other knowledge-based and innovative industries especially biotechnology which produces expensive cancer drugs. The note also argued against granting compulsory licensing in case a drug is not produced in India but imported into the country. It also seeks to protect the rights of pharma companies to keep patents by making minor changes in the formulation of drugs—known as evergreening—through data exclusivity. "South Asia is worried that the harmful provisions the Swiss government is pushing for, which go beyond what's required under internationally-agreed law, will further create exclusive rights for profiteering and serve to undermine what remains of generic competition in India," said South Asia Head of MSF's Access Campaign."South Asia hopes that Indian Commerce Minister's commitment to not engage in these excessive provisions, known as 'TRIPS-Plus' measures, will remain firm in the EFTA negotiations." The free trade negotiations started in October 2008, and 13 rounds had been held until November 2013. Chief negotiators decided to resume negotiations in 2016 after taking stock of their status and a 14th round was held in October. During this 15th round in January, experts from both sides held targeted discussions on outstanding issues regarding trade in goods and services, rules of origin and intellectual property rights, while heads of delegations reviewed the state of play of all other topics under discussion. Indian exports to EFTA region grew 13.7% to $1.5 billion in 2015-16 while imports contracted by 14% to $19.9 billion during the same period.

~FIEO

INDIA-UAE GLOBALISATION CONFERENCE PITCHES FOR GREATER TRADE

India and the UAE have agreed to strengthen their bilateral trade and investment ties as top industry leaders from both countries met at a conference. Speaking at the second India-UAE conference on globalisation UAE's Cabinet Member and Minister of Culture and Knowledge Development expressed optimism about the growth of trade and investment between India and the UAE and favoured greater international cooperation and exchange to help the global economy. India's ambassador to the UAE also addressed the conference and highlighted the growing trade and investment ties between the two countries. India's ambassador to the UAE said the frequent interactions between Indian Prime Minister and Crown Prince of Abu Dhabi were far-reaching developments in the relationship between the two countries. It said that the UAE was already the largest trading partner of India in West Asia and the two countries have now decided to form a Comprehensive Strategic Partnership. More than 20 agreements have been signed between the two countries in the past two years for collaboration in diverse areas including infrastructure, renewable energy, defence production, joint military exercises, maritime security, counter-terrorism, space technologies, cyber security, agriculture and human traffic prevention, it said. UAE's commitment to invest USD 75 billion in Indian infrastructure is of particular significance to the growing relationship, it added.

RUSSIA TO WELCOME INDIAN BRAINS, TALENT; TWO COUNTRIES PLAN BUSINESS VENTURES: RUSSIA

Russia will not only welcome Indian talent but will also help to have comfortable stay in their country, which will be a win-win for both the countries, Russian Minister of Trade and Industry said amid proposed visa changes in the USA that might impact movement of professionals there in the future. The Russian minister, on his second visit to India in less than six months, is as part of the celebrations on the occasion of 70 years of bilateral economic ties, and Russian Minister will also create the ground for Indian PM’s visit to St Petersburg for the International Economic Forum between June 1 and 3. Indian PM is the guest of honour at the Forum or SPIEF (St Petersburg International Economic Forum) with India as the guest country for the Forum, often described as the Davos of Eurasia. Pointing out that SPIEF would be a perfect match making opportunity for the Indian corporate sector, Manturov said the PM's presence will add heft to the privileged and special Indo-Russian strategic partnership. "Russia is currently in the process of giving final shape and fine tuning the agenda for SPIEF. The Forum held at an important year of bilateral ties will give a good opportunity for the businesses and corporate sectors." Indian PM and Russian President will jointly address SPIEF that will include over 5000 business honchos, including some even from the West. The minister listed heavy engineering, metallurgy, agriculture and farming as areas where India and Russia could work together to produce results besides the traditional areas. The two sides are also looking to cooperate at the small and medium scale industries. Russia is exploring joint ventures in the SME sector. Besides the two sides can cooperate in certain areas of microbiology and pharmaceutical products. Russia has made significant achievements in areas of pharmacy, including protein supplements. India can be a big market for such products." The challenge is to increase bilateral trade to $30 bn from the current $7 bn by 2025."

~FIEO

SEZs IN GUJARAT REGISTER ROBUST GROWTH IN 2016-17

Terming the Special Economic Zones (SEZ) in Gujarat 'highly successful' projects, top officials said that more than 40 per cent of the SEZs in the State have reported robust growth, while approval for five new SEZs are in the pipeline. Sector-specific SEZ by Zydus Cadila has achieved the highest growth of 41.11 per cent in terms of value of exports, followed by GIDC Apparel Park and Dahej SEZ, with 34.3 per cent and 29.8 per cent respectively. Total exports made from SEZs in the State during 2016-17 have reported marginal decline of 0.45 per cent from ₹1,26,086 crore as on February 2016 to ₹1,25,521 crore as on February 2017. The five new SEZs at the various stages of approval include GIDC's IT SEZ in Gandhinagar, HBS Pharma SEZ near Panoli in South Gujarat and three in Kutch — one by Kandla Port Trust, while two by IL&FS, including one Free Trade and Warehousing Zone. "The SEZs in Gujarat have bucked the national trend. Out of the total 19 operational SEZs in the State, about 11 have shown growth, while 7-8 of them are growing at a robust pace. We expect the total exports from Gujarat SEZs to surpass ₹1.35 lakh crorein 2016-17," said Zonal Development Commissioner, Gujarat. It further added that exports from the country's oldest SEZ, Kandla SEZ (KASEZ), have increased from ₹1,000 crore in 2005-06 to ₹4,227 crore in 2015-16. "We expect the exports to touch ₹5,000 crore from KASEZ this year," Zonal Development Commissioner added. Gujarat has 10 per cent of functional SEZs of the country's 180 SEZs, while they hold nearly 30 per cent share in the total exports of ₹5 lakh crore from the total SEZs in India.

~FIEO

INDIAN STEEL EXPORTS GROW 78% DURING APRIL-FEBRUARY

Indian steel exports have risen by 78 per cent in the eleven months (April-February) of the current fiscal and the country is on course to becoming the second largest steel producer in the world, Steel Minister said. Noting that "the past 3 years have been quite challenging for the steel industry", the Minister said the "government of India intervened strategically to provide policy and regulatory support from time to time, which has given desired results like improvement in capacity utilisation to over 78 per cent, reduction in imports by 39 per cent and significant increase in exports by 78 per cent in the 11 months of current financial year." "At present, the steel industry in India is on a path of growth and will soon become the second largest steel producer in the world," Minister said.

~FIEO

TEXTILE EXPORTS DIP 4.5% IN APRDECEMBER

The country's textiles exports dipped by about 4.5 per cent to $26 billion during AprilDecember of this fiscal. "The exports of textiles during 2016-17 (April-December) were $26 billion compared to $27.2 billion during 2015-16 (April-December)," Minister of State for Textiles said in a written reply to the Rajya Sabha. Minister also said that during the three quarters of this fiscal, the total production of man-made fibre stood at 1,037 million kg while spun yarn production was 4,254 million kg.

~FIEO

19 STATES READY WITH EXPORT PLANS

In a push towards cooperative federalism, 19 states are ready with export strategies prepared in consultation with the Centre, a senior official in the commerce ministry said. This development will pave way to boost India’s exports, he said, adding that timely identification of state-specific impediments towards exports would allow faster resolution. The Centre has assisted these states by sharing with them a template of the export policy document and involving organisations such as the FIEO and IIFT. These states account for more than 90% of the country’s exports. The initiative was launched to empower states in leveraging their strengths and work with the Centre to remove gray areas. A number of states such as Arunachal Pradesh were unable to come up with export policies as they have few items to offer at globally competitive rates. Not having direct access to sea also proved to be a disadvantage. At present, the Centre is assisting six such states to prepare export plans. The Centre believes that having separate export policies will help states identify potential products as well as find out scope for adding values to products meant for exports. For instance, Madhya Pradesh is a leading producer of soya, which is in high demand in various countries. But the quality of soya demanded by these countries are often of high value, and so MP needs to channelise its investments towards adding value to soya it is currently producing. Also, very often exporters face problems in meeting product standard requirements of importing countries. A case in point is shrimp. Shrimp produced in Kerala used to have high antibiotic content, and Japan had put a ban on the product and started importing from Vietnam. It was only after remedial measures were undertaken to produce antibiotic-free shrimp in Kerala that exports to Japan resumed. But by that time, Vietnam pipped India as the top shrimp exporter to Japan. These issues would be better identified and taken care of by states if a separate export policy is in place.

~FIEO

NET FOREX RESERVES INCREASE BY $14.2 BILLION IN APRIL-DECEMBER PERIOD: RBI

The country added USD 14.2 billion in foreign exchange reserves on the balance of payment basis during the first nine months of the outgoing financial year, which is marginally down from USD 14.6 billion accretion in the year-ago period, the Reserve Bank said. In nominal terms, forex reserves decreased to USD 1.3 billion during reporting period against an increase of USD 8.7 billion a year ago. In the April-December period, current account balance decreased to USD 11.6 billion, while in the year-ago period it had stood at USD 21.8 billion. Capital account rose to USD 25.9 billion in the first nine months of the current financial year, while the same had risen to USD 36.4 billion in the year ago period.

Foreign direct investment rose to USD 30.6 billion compared to an increase of USD 27.2 billion a year ago. Foreign institutional investment decreased to USD 3.4 billion in the first nine months against a fall of USD 3.2 billion last year. External commercial borrowing decreased to USD 5.2 billion in the reporting period compared to a decrease of USD 2.2 billion in the year ago period. **~FIEO**

RBI RECASTS NORMS ON CURRENCY HEDGING FOR MNCs

The RBI changed norms to provide operational flexibility to multinational entities and their Indian subsidiaries exposed to currency risks arising out of current account transactions in the country. The extant hedging guidelines have been amended to provide operational flexibility for booking derivative contracts to hedge the currency risk arising out of current account transactions of Indian subsidiaries of multinational companies. As per the guidelines, the transactions under the facility will be covered under a tripartite agreement involving the Indian subsidiary, its non-resident parent / treasury and the bank. "This agreement will include the exact relationship of the Indian subsidiary or entity with its overseas related entity, relative roles and responsibilities of the parties and the procedure for the transactions, including settlement," it said. Further, the non-resident entity should be incorporated in a country that is member of the Financial Action Task Force (FATF) or member of a FATF-Style Regional body. Under the facility, the non-resident entity can approach a bank directly which handles the foreign exchange transactions of its subsidiary for booking derivative contracts to hedge the currency risk of and on the latter's behalf. The Indian subsidiary will be responsible for compliance with the rules, regulations and directions issued under FEMA and any other laws applicable to the transactions in India, the guidelines said. **~FIEO**

INDIA TRIES TO FIX IRAN TRADE PAYMENTS AS DONALD TRUMP HARDENS LINE

India is exploring setting up a new payments mechanism for trade with Iran, after its old sanctions workaround broke down, as state banks remain fearful of handling payments from Tehran in case the United States imposes a fresh financial embargo. US President has denounced an agreement between Iran and major powers on its nuclear programme as a bad deal, and his administration has put Tehran "on notice" after the test-firing of a ballistic missile. Under previous Western sanctions, India had devised a barter-like scheme acceptable to Washington that allowed it to make some oil payments to Tehran in rupees through a small state bank, UCO Bank. Indian companies were then able to receive payments for goods exported to Iran using the oil money held in non-convertible rupee balances at UCO, maintaining a trade lifeline between two countries with long historical ties. But since sanctions were partly lifted early last year the rupee account has been run down by more than 90 per cent to just Rs 20 billion ($305 million) because Indian refiners have resumed paying for Iranian oil in euros. Whilst the federal government and central bank have approved oil payments in euros - which Iran prefers because the currency is readily convertible - they have not given the all-clear for trade in the opposite direction to be settled in other currencies, leaving exporters stuck. "UCO bank is working on a mechanism through euros and looking for a common correspondent bank in Europe to act as an intermediary for India and Iran," said chairman of UCO Bank. "The euro payment system has not yet crystallised," it said, adding the government was working to find a solution. The Reserve Bank of India (RBI) said some Iranian banks had applied to open branches in India, but gave no indication when it might approve settlement of trade with Iran in currencies other than the rupee. "Due to the geopolitical situation around Iran, and international sanctions-related measures, correspondent banking relationships are difficult," the central bank said. "The Reserve Bank has facilitated payment for Indian exporters by permitting special arrangements for rupee-based settlements." **~FIEO**

JULY 1 ROLLOUT LOOKS REAL AS CABINET CLEARS GST BILLS

The Union Cabinet approved four crucial GST Bills that will pave the way for the country to usher in its biggest-ever indirect tax reform. The four Bills that got the Cabinet nod are the Central Goods and Services Tax (CGST) Bill, 2017 (CGST Bill), Integrated Goods and Services Tax Bill, 2017 (iGST Bill), Union Territory Goods and Services Tax Bill, 2017 (UTGST Bill), and Goods and Services Tax (compensation to the States) Bill, 2017 (The Compensation Bill). They are expected to be tabled in Parliament as Money Bills. The government hopes to get them passed in the ongoing session to ensure the tax is implemented from the targeted date of July 1, 2017. The State GST Bill will be taken up by State Cabinets and introduced in each State Assembly. Key laws The CGST Bill provides for levy and collection of tax on intra-State supply of goods or services or both by the Central government. On the other hand, the iGST Bill makes provisions for levy and collection of tax on inter-State supply of goods or services or both by the Central government. The UTGST Bill makes provisions for levy on collection of tax on intra-UT supply of goods and services in Union Territories without a legislature. The UTGST is akin to the States Goods and Services Tax (SGST), which will be levied and collected by the States/Union Territories on intra-State supply of goods or services or both. The Compensation Bill provides for compensation to the States for loss of revenue arising on account of implementation of GST, for five years, as per Section 18 of the Constitution (101st amendment) Act, 2016. With the Cabinet approving these four Bills, the GST regime in India is in the final stages of culmination and the GST law will most likely be implemented from July 1, 2017. The four Bills had earlier been approved by the GST council after clause-by-clause discussions over 12 meetings of the Council held in the last six months. Amalgamating a large number of Central and State taxes into a single tax will mitigate cascading or double taxation in a major way and pave the way for a common national market, an official release said. The GST will thus help in the realisation of the 'One Nation, One Tax' objective and improve the ease of doing business in the country. It will also indirectly benefit the common man by reducing the tax burden, especially on daily consumption items, the release said. Impact on growth Introduction of GST will also make Indian products competitive in the domestic and international markets. Studies show that this would have a major impact on economic growth. It is expected that the implementation of the GST laws will drive the gross domestic product (GDP) of the country up by 1-2 per cent. This, in turn, will lead to the creation of more employment and increase productivity, the release said.

~FIEO

COUNTRY'S CURRENT ACCOUNT DEFICIT WIDENS AS SERVICES EXPORTS AND REMITTANCES SLOW DOWN

Current account deficit moderated during the quarter ended December 2016 despite lower trade deficit as both services exports on account of demonetisation and remittances by global Indians also dipped due to global slowdown. As capital flows too slowed down, the overall balance of payments ended in a moderate deficit of $ 1.2 billion in the latest quarter. Current account deficit (CAD), the excess of India's imports of goods and services over exports in its external sector balance sheet, expanded to $ 7.9 during October-December, the quarter in which the historic decision to ban high value Rs 500 and Rs 1000 notes, according to preliminary estimates released by the Reserve Bank of India. This is marginally higher than the CAD of the same period last years-October-December'15, when the deficit was $7.1 billion. But as a percentage of GDP, the ratio is same in both periods at 1.4% of GDP. While the trade deficit contracted to $ 33.3 billion in the latest quarter from $34 billion in the same period a year ago, the country's crude import bill accounting for over 20% of the country's imports rose by about $1.7 billion (year-on-year) as global oil prices started firming up. A structural shift in the current account number in the balance of payments is evident as traditional contributors to the current account surplus - software exports and remittances by overseas Indians continued to slip for the second consecutive quarter. Remittances by the Indian diaspora amounted $ 15.2 billion, having declined by 3.8% from their level a year ago. Software services exports were lower by 3% at $ 17.7 billion compared to $18.2 billion in the

JulySeptember'15 quarter, an RBI release said. Net foreign direct investment at $ 9.8 billion in Q3 of FY'17 was marginally lower than its level a year ago. There has been net outflow of portfolio investment of $ 11.3 billion as against net inflow of$ 0.6 billion in Q3 of last year; portfolio outflows occurred in both equity and debt segments. Even non-resident Indian (NRI) deposits declined in Q3 ofFY'17 by $ 18.5 billion as against an inflow of $ 1.6 billion a year ago. The capital account ended in a lower surplus of $ 6.1 billion compared to $10.5 billion surplus in the same period a year ago. The overall balance of payments ended in a modest deficit of $1.2 billion compared to a $ 4 billion surplus in the same period a year ago.

~FIEO

INDIA SEEKS TO JUMP 40 PLACES IN WORLD BANK'S DOING BUSINESS RANKINGS

India is targeting an ambitious 40-notch jump in the World Bank's Doing Business survey this year. Last year, its rank rose by just one place to 130 in the survey that measures the ease of doing business in various countries. According to an output-outcome framework document prepared by the government, India wants to reach the 90th rank in 2017-18 and 30th by 2020. "Better rank in ease of doing business and greater awareness about opportunities in India in manufacturing sector would lead to growth in the manufacturing sector," the document said. Department of industrial policy and promotion (DIPP) secretary said the targets are feasible. "Govt is hoping to do extremely well in five categories: starting a business, construction permits, paying taxes, trading across borders, and resolving insolvency. We are already in the top 50 in three parameters out of 10. Govt is facing challenges in two criteria: enforcing contracts and registering property because of the complexity involved," DIPP Secretary said. India was ranked within the top 50 countries in parameters such as protecting minority investors (13th), getting electricity (26th) and getting credit (44th), among the 190 countries surveyed. India's worst rank was in dealing with construction permits, where it was placed 185th. It ranked 136th in resolving insolvency, 138th in registering property, 143rd in trading across borders and 172nd in both paying taxes and enforcing contracts. "Government has to proactively pursue with the state governments and local bodies as well as the Supreme Court and high courts for necessary reforms. Between Delhi and Mumbai, the former has been an underperformer though the latter has picked up in recent times, especially in dealing with construction permits. This may prove to be a drag on India's overall ranking," it added. This year's budget allocated Rs 272.48 crore under the scheme of investment promotion that will be spent on launching a 360 degree awareness campaign for better ease of doing business ranking and to attract investment in 25 sectors selected under Make in India. DIPP has also involved the National Productivity Council and the United Nations Development Programme to conduct user feedback to evaluate the effectiveness of its reform measures. To break into the top 50 in the World Bank ranking, India needs to set up fast-track commercial courts, dispose of cases quickly with minimum adjournments and establish ecourts for electronic filing of complaints, summons and payments, a government official said on condition of anonymity. Finance Minister announced legislative reforms to simplify, rationalize and amalgamate existing labour laws into four codes—wages, social security and welfare, industrial relations, and safety and working conditions. The finance minister said a road map for scrapping the FIPB that scrutinizes foreign investment proposals will be announced soon as part of the government's financial sector reforms. Government plotted an eight-point strategy to make it easier to do business in India. Departments will now hold stakeholder consultations for feedback on reforms undertaken, and also engage with respondents to ensure the reforms are implemented at the ground level. Each department will review progress every week in carrying out the necessary reforms.

~FIEO

INDIA PREPARING FOR TOUGH NEGOTIATIONS AT WTO TALKS ON TRADE FACILITATION IN SERVICES: CIM

India's proposed trade facilitation agreement (TFA) in services is headed for a tough negotiating process at the WTO, said Commerce and Industry Minister. Lessons learnt from negotiations on the trade facilitation pact in goods would play a crucial role in the services' pact's success, Minister added. "Govt finds that the countries that are driving the services industry and those with inputs from knowledge based spectrum are not willing to support a TFA in services. The lessons that have been learnt from coming to a consensus on TFA in goods through a dialogue process are very crucial," Commerce Minister said while addressing a workshop on TFA in services organised by the Commerce Ministry and the World Bank. Interestingly, it is not just developed countries but many developing countries as well that might require coaxing to give their consent to a TFA in services. New Delhi recently gave a formal presentation on its proposal at the WTO which evoked a mixed response from members. Several African countries including South Africa, which have been traditionally on the same page with India on most issues at the WTO, reportedly expressed their reservations on the compliance cost of such a pact. While the EU broadly welcomed India's proposal, it may not be willing to extend special and differential treatment to the country which is reserved for the developing world, which could be a problem, a government official said. Turkey, Argentina and Brazil came out in support of the proposal. The Minister hoped that the negotiating process would not get stretched. "India hopes it will not take too long because the disillusion that multilateral institutions are delivering slowly cannot be afforded any longer in the political reality of the globe today," Minister said. India's proposal on TFA in

services was not specifically about new market access in services but was about removing hurdles, it added. Measures proposed by India include clarity in work permits and visas, simplification in rules of temporary stay, rationalisation of taxes, fees and charges and sorting out social security contribution issues for short-term workers, among others.
~FIEO

INDIA PUSHES ITS CASE AT WTO HEADQUARTERS IN GENEVA

India has recently tabled a proposal at the WTO for an agreement on trade facilitation in services (TFS), Commerce and Industry Minister said in a written reply to the Rajya Sabha. "A team of capital-based officers has visited Geneva for discussion on issues of India's interest, including TFS," Minister said. The TFS proposal aims at liberalising rules for movement of professionals and other steps to reduce transaction costs to boost growth of the services sector. India is pitching for this trade facilitation agreement in services as the sector contributes over 60 per cent to the GDP and 28 per cent to total employment. The move is aimed at developing a broader framework governing global services in trade just like a TFA on goods. TFS will focus on issues like liberalised visa regime, long-term visas for business community and freer movement of professionals for the greater benefit of both India and the world, among others.
~FIEO

Grain export demand to stay strong in first half of 2017

Transportation demand for export grain has been strong in 2017, the U.S. Department of Agriculture said recently. The USDA also reports that there are indications that this may continue at least through the first half of the year.

In March, the USDA's World Agriculture Supply and Demand Estimates projected record grain production and harvest for this marketing year. The USDA reported that December 2016 grain stocks were 10% higher compared to the same period in 2015. This implies that stocks may move during the first half of the year to make room for this year's harvests, the USDA said. According to the USDA report, outstanding (unshipped) export balances of grain are well above the level for the same period last year.

Recent data for the beginning of this year also indicates that transportation demand for export grain will remain strong. As of March 11, year-to-date (YTD) grain barge movements down the Mississippi River were 34% above last year's total for the same period. Also, the USDA said, average weekly barge movements in February for the major grain crops on the Mississippi River reached its highest level since 2013. As of March 9, YTD grain vessel loading activity in the Pacific Northwest has doubled compared to 2016, and U.S. Gulf vessel loading was 23% above last year's level.

Even with the strengthening of the dollar and barring any unforeseen circumstances, 2017 may be a very strong year for transportation demand for export grain. Also, the USDA reported, ocean freight rates for shipping bulk grain have been moderate and there is still excess supply of bulk vessels in the market.

The hope is that 2017 matches or tops 2016, which, the USDA said, was a "remarkable year for U.S. transportation demand for grain exports across all modes." In addition to an increase in total grain inspected for export at all ports, there were also increases in 2016 (compared to 2015 and the three-year average) for other grain transportation categories, such as barge movements, rail grain carloadings, rail deliveries to ports, and oceangoing grain vessel loading activity in the U.S. Gulf and Pacific Northwest, according to the USDA.

In 2016, 43.18 million tons of grain was transported by barges along the Mississippi River to New Orleans for export, a 22% increase over 2015. In addition, the USDA said, weekly barge grain movements along the river exceeded one million tons in 13 weeks during the year, compared to just one week in 2015 and three weeks in 2014.

In other news, according to the USDA's March 21 Weekly Weather and Crop Bulletin, a majority of the Midwest experienced a relatively mild winter with occasional periods of record warmth accompanied by brief episodes of rain or snow. The result has been normal navigation conditions on the Mississippi River and its major tributaries. There have been relatively few disruptions due to weather, the USDA said.

As of March 21, barge freight rates were 26% to 35% below the three-year average, but were 5% to 30% above rates at the same time last year. With the mild winter, the USDA said, an early opening of the northern portion of the Upper Mississippi River has expanded the range of navigable river miles compared to the same period last year. It has also kept barge rates above last year's levels.

www.workboat.com

European Union and Caribbean Export sign multi-million dollar agreement

BRIDGETOWN, Barbados (CMC) — The Barbados-based Caribbean Export and the European Union have signed an agreement worth EURO 24 million (US$30,960,000) to support regional private sector development.

The funds are being made available under the 11th European Development Fund (EDF).

Chairperson of the Board of Directors of Caribbean Export, Cecile Humphrey, said the agency is dedicated to expanding the EDF regional private sector development programme so as to ensure that more Caribbean firms can successfully export their products to an increasing number of countries.

Humphrey said the Caribbean Export was keen on ensuring that the level of achievement of the programme under the 11th EDF would surpass the results of the previous one.

She praised the work of the Caribbean Export, saying: "its contribution to the gradual integration of CARIFORUM countries into the global economy and the enhancement of regional economic growth has been outstanding."

She said that over the years, Caribbean Export's extensive programme had been designed primarily to deepen trade, investment and cooperation within the Caribbean and to enhance the competitiveness of regional Small and Medium-sized Enterprises (SMEs).

Humphrey pointed out that access to finance had been a perennial challenge for SMEs in the Caribbean and said she was pleased the Direct Assistance Grants Scheme had provided access to finance for Caribbean firms operating across several sectors.

According to her, about EUR 5.8 million (US$7,482,000) had been awarded to SMEs during the 10th EDF.

Under the 11th EDF, focus will be placed on market penetration, supply chain and intelligence frameworks, increased access to finance, and the promotion of green energy and energy efficiency as key factors in lowering cost.

jamaicaobserver.com

GST debate now continues on categorisation of products

MUMBAI: Is Parachute hair oil or edible oil? Is KitKat a chocolate or a biscuit? Is a Vicks tablet medicament or confectionery? For the taxpayer and the tax collector, this is much more than an exercise in semantics — hundreds of crores of rupees ride on the exact categorisation.

As the government moves closer to rolling out the goods and services tax (GST) on July 1, many such distinctions are being debated so that no ambiguity remains. Not just that, the government is revisiting old tax cases that were lost over product categorisation, according to people with knowledge of the matter, presumably with a view to making sure that revenue collections can be maximised.

"In the past, several tax officers had challenged some of the product categorisations, including those in the retail segment, but lost out in court or at appellate level," said one of the persons. "Now we have a chance to go ahead with specifying the products in a way based on the old cases so that similar situations don't arise."

It is understood that the product categorisation exercise, which was expected to have been completed last year, is taking much longer because of this process. The rates have already been decided — nil, 5 per cent, 12 per cent, 18 per cent and 28 per cent —but product categorisation is yet to be finalised.

"The GST rates for each and every item are not yet decided as the government is categorising products and what rates can be applied on each category of goods," said MS Mani, senior director, Deloitte Haskins &Sells. "There is a chance that some of the old issues raised by the tax department regarding category of certain goods may come back to haunt some companies or products as GST is a new law and can redefine rates and what goods would fall under its preview."

Some states have also raised issues on this front, Kerala being a case in point. During a recent closed-door meeting on product categorisation, finance minister TM Thomas Isaac brought up a point highly pertinent to people of that state.

Coconut oil shouldn't be categorised as hair oil but as edible oil, he is reported to have said. The reason? Edible oil and hair oil are taxed differently as the latter is not an essential commodity. But coconut oil is an essential ingredient of Kerala cuisine, making its categorisation a matter of keen public interest for the state's people.

This could mean disputes that many companies thought had been resolved coming back to life.

Whether such moves will be challenged or not by the companies is yet to be seen. However, experts said this may be difficult since GST is a new tax regime altogether and old rulings may not have the force of precedent. Some of the old cases being examined involve Marico, P&G, NestleBSE 0.26 %, Paras Pharmaceuticals and Dabur, according to the people with knowledge of the matter.

For the record: KitKat is a biscuit and Vicks a medicament. In the KitKat case -- Nestle (India) Ltd v/s Commissioner of Central Excise, Mumbai, 1999 -- it was ruled that the product was a biscuit and not a chocolate, which is taxed at a higher rate.

Meanwhile, companies are lobbying the government to categorise biscuits as essential products under GST, which would mean their being taxed at a lower 5 per cent.

Economic Times

Useful links

https://www.ecgc.in/

ECGC Ltd. (Formerly Export Credit Guarantee Corporation of India Ltd.), wholly owned by Government of India, was set up in 1957 with the objective of promoting exports from the country by providing Credit Risk Insurance and related services for exports. It functions under the administrative control of Ministry of Commerce & Industry, and is managed by a Board of Directors comprising representatives of the Government, Reserve Bank of India, banking, and insurance and exporting community. Over the years it has designed different export credit risk insurance products to suit the requirements of Indian exporters and commercial banks extending export credit.

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